



## Executive Summary

Horizon Bancorp, a \$1.5 billion asset bank serving Northern Indiana and Southwest Michigan, has demonstrated exceptional financial performance, growth and operational controls even during the past years of recession and tumult for the banking industry. The company has utilized an 11-year history of annual earnings and cash flow growth to fund expansion, build capital reserves in excess of regulatory requirements, begin repurchasing preferred shares issued under TARP, and pay quarterly cash dividends.

The Company achieved record earnings in 2010 and neared \$1 billion in deposits. The Bank has maintained a balanced portfolio of consumer and commercial loans, while generally avoiding real estate development and speculative lending. With a well-established track record in commercial and consumer lending, a key focus will be to support its lending capabilities by building the company's core deposit base through organic growth and acquisition.

Horizon has already capitalized on targeted market expansion opportunities. Offering an attractive work environment, performance-weighted compensation and incentives, and capital for investment and lending, Horizon continues to attract seasoned bankers to lead branch and loan production office expansion. With an efficiency ratio of 63%, Horizon is one of the most efficient community banks in its regional market.

The competitive banking environment in the region favors a financially strong and acquisitive community bank, particularly in a low-growth economic environment. Many megabanks and large regional banks have reduced staffing, particularly in small business lending and investment management services, and have pulled back from lending activities and active new business solicitation as they digest acquisitions and address capital issues. Many of Horizon's community bank peers are operating under some form of regulatory constraint.

With a proven acquisition strategy in place, a clean balance sheet, and capital strength, Horizon Bancorp is well-positioned to be a consolidator in its market.

## Investment Appeals

- Strong capital position and balance sheet, low non-performing assets, capital strength (total capital/risk weighted assets of 13.96% at December 31, 2010);
- Common shares trading near tangible book value;
- Reinvestment in personnel, technology and facilities to accommodate multi-billion dollar asset growth;
- Strategy and capital to pursue numerous expansion opportunities in large and diverse regional market;
- A historical quarterly cash dividend that includes 100 consecutive quarters of dividend payments; and,
- Experienced and proven executive team.

### Financial Highlights

*(at 12-31, full year)*

	2010	2009
<b>Total Assets:</b>	<b>\$1.40b</b>	<b>\$1.39b</b>
<b>Net Loans:</b>	<b>\$882.6m</b>	<b>\$876.0m</b>
<b>Total Deposits:</b>	<b>\$985.5m</b>	<b>\$951.7m</b>
<b>Net Income:</b>	<b>\$10.5m</b>	<b>\$9.1m</b>
<b>EPS (diluted):</b>	<b>\$2.71</b>	<b>\$2.37</b>
<b>Net. Int. Margin</b>	<b>3.80%</b>	<b>3.66%</b>
<b>Loss Res/Loans:</b>	<b>2.11%</b>	<b>1.80%</b>
<b>ROAA:</b>	<b>.75%</b>	<b>.68%</b>
<b>Other RE Owned:</b>	<b>\$2.7m</b>	<b>\$1.7m</b>

## Served Market Reflects Economic Diversity and Strength



*Horizon's current footprint of locations serves a wide range of small businesses and consumers in Illinois, Michigan and Indiana, allowing for strategic expansion and in-fill within served markets. Horizon Bank has tapped the diversity of the market, building a balanced mix of loan and deposit portfolios, as well as a growing investment management business. Since 1997, the Bank has nearly tripled the number of branch locations it operates*

- While Northern Indiana and Southwest Michigan markets have faced serious challenges in certain sectors, overall market has generally tracked the US averages in income and unemployment.
- State of Indiana provides strong business support and a favorable tax environment.
- Significant innovations in technology, biotech, healthcare, pharmaceuticals and education.
- Manufacturers moving from Chicago area to Northwest Indiana to capitalize on available workforce, readily available facilities, low costs and tax benefits.
- The area is a major transportation hub, including extensive freight and passenger rail service, major interstate highways and proximity to Gary International Airport.
- Port of Burns Harbor, Indiana is a multi-modal port and handles more ocean-going cargo than any other Great Lakes port, and supports numerous small businesses serving transportation and distribution needs.
- Northwest Indiana is one of the major oil and natural gas refining and distribution points for the Midwest.
- Southwest Michigan is a prime recreation and vacation destination, and has been ranked by the Chicago Tribune as the number one retirement location for Chicagoans.
- Branch presence is important for marketing visibility and customer service: Horizon has grown from 9 branches in 1997 to 24 facilities, with opportunity to expand.

## **Poised to Lead in Community Bank Consolidation; Branch Expansion**

- Large target market with significant opportunity to acquire community banks, branches and assets.
- Disciplined acquisition approach focused with strict guidelines for acceptable valuation.
- Regular communication with many community banks to discuss M&A opportunities.
- Non-hostile takeover strategy, positioning Horizon as a capital alternative.
- Smaller community banks battling increased regulatory, compliance and operating costs, higher capital requirements, lack of people and infrastructure to keep pace in competitive environment.
- Increasing potential for open-bank assistance from FDIC to restructure acquisitions, with focus on deposit purchases.
- Current operational technology and software supports institutions in excess of \$10 billion in assets.
- Proven acquisition experience and team.
- In American Trust acquisition (2010), Horizon was able to bid on and acquire a bank others walked away from:
  - Negotiated troubled asset carve-out with sellers.
  - Converted systems to Horizon platform in one weekend immediately following closing.
  - Subsequently closed under-performing branch.
  - Acquisition immediately accretive to earnings.
  - Company expects to recoup initial capital investment within one year.
  - Added \$100 million of deposits, 70% of which were core deposits.

*Horizon's current central location allows for significant expansion opportunities in a region bounded by Grand Rapids, MI to the north, Kalamazoo, MI and Ft. Wayne, IN to the east, Chicago's south suburbs to the west and Indianapolis to the south. The banking market in the area is fragmented, presenting meaningful market share growth opportunities, particularly along the I-65, I-69, I-196 and I-94 transportation corridors.*



#### Strong corporate culture and integration procedures:

- Meetings with employees and managers of acquired companies.
- Rapid notification of layoffs and assistance with transition and placement to minimize rumors, productivity loss and service declines related to uncertainty and speculation (built into acquisition costs).
- Horizon has established acquisition process and committees to manage and integrate acquisitions quickly and decisively.
- Experienced team speeds operational conversion.

#### Skilled Teams Drive Growth, Expansion:

- The Company sets skilled and proven management as its top priority when considering organic or inorganic expansion.
- The Bank seeks out proven managers and teams to guide new branches to profitability within 18 months.
- Horizon will develop a team and then identify a branching opportunity.
- Example: in 2005, Horizon first hired senior team, then identified a branch opportunity for the team in a new market, St. Joseph, MI, which now exceeds \$200 million in assets.
- However, the Company's focus has shifted primarily to acquisitive branch growth, which is more cost-effective than an organic branching strategy.
- Horizon has been identifying and hiring experienced trust managers to expand wealth and asset management business.

#### **Operations, Efficiency and Technology**

- Horizon utilizes the same back-office technology serving banks with over \$10 billion in assets.
- Internal productivity benchmarks for all departments.
- Horizon establishes high hurdle rates to justify operations-related expenditures.
- In 2010 added MoneyPass, allowing customers to conduct no-fee transactions at many ATMs.
- Mobile banking added in 1Q 2011 to complement Internet banking capabilities.
- Horizon's efficiency ratio of 63% is one of the lowest among its regional community bank peers.

## Lending, Credit and Compliance Discipline

- Historical commitment to exceeding financial transparency, reporting and compliance requirements.
- Well-positioned to respond to increasingly stringent bank regulatory environment.
- Building compliance staff with a larger organization in mind, including the addition of a Certified Compliance Officer with 25+ years of experience in 2010.
- Chief Credit Officer with more than 30 years experience in loan and credit review.
- Each quarter, the Bank utilizes the services of an independent expert to review loans.
- Twice-monthly management meetings to review loan portfolio.
- Commercial lending is decentralized to facilitate prompt decision-making.
- Loans over \$500,000 require corporate loan committee review.



*N. Valparaiso, IN banking facility.*

- Target average commercial loan size less than \$300,000 facilitates portfolio diversification and credit exposure.
- Highly centralized and automated consumer and mortgage lending capabilities generates maximum control, processing, review and lending efficiency.
- Authorization for loans over \$3 million requires Directors Committee approval.
- With a legal lending limit of \$20 million, Horizon exercises discipline with a \$10 million “house limit.”

## Maintaining High Loan Quality

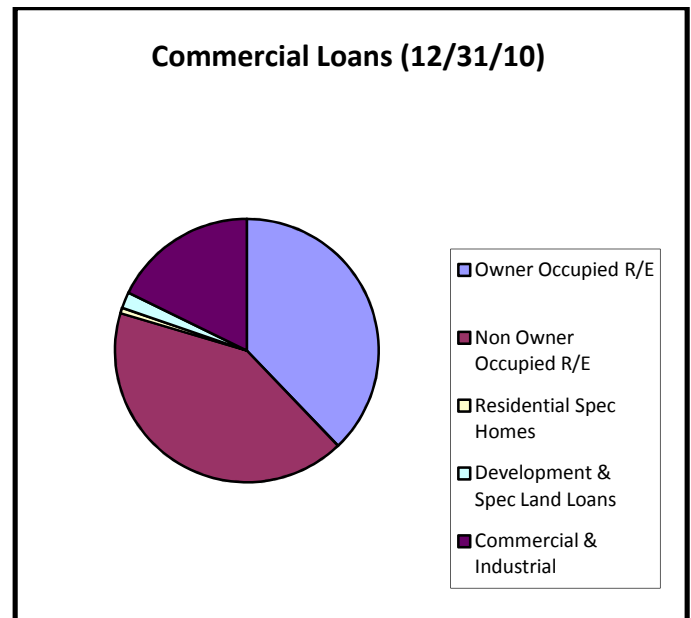
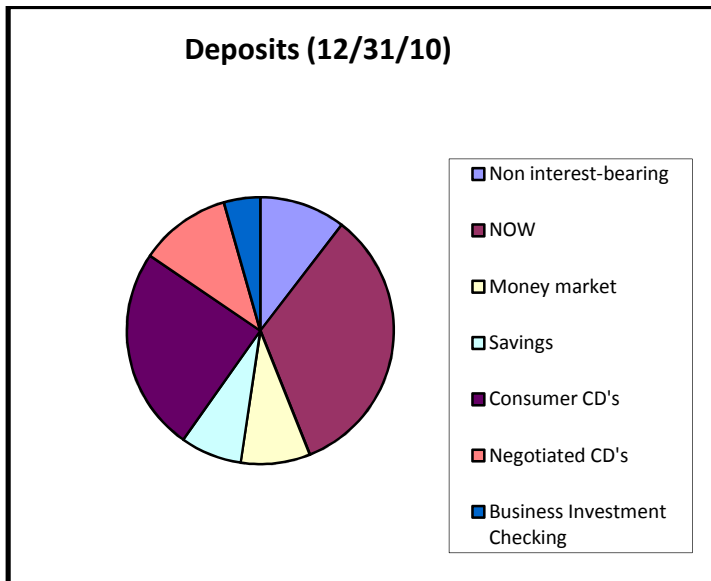
- Horizon has been aggressive in reserving for problem loans and placing loans on its watch list.
- Non-performing loans controlled at 2.4% of total loans at December 31, 2010.
- Loan loss reserve stable at approximately 2.11% of total loans.
- Non-performing loans to total loans, while trending up slightly in 2010, remains low at 2.4%.
- Process in place to sell other real estate owned (OREO) quickly.

## Balanced Loan and Deposit Portfolios

- Mortgage lending and refinancing continues to be a predominantly face-to-face business because of complexity and customer concerns about security.
- Commercial portfolio concentrates on small business lending, reducing exposure to individual loans and diversifying the portfolio.
- Strong Small Business Administration lender; #1 SBA lender in Northwest Indiana.
- Balanced consumer lending portfolio.
- Limited and well-managed commercial real estate lending portfolio.
- Minimal real estate development lending.
- Diversified lending portfolio, including disciplined mortgage warehousing program, creating effective “hedge” opportunity with low risk.

## Mortgage warehousing portion of the portfolio:

- Generates low-cost capital.
- Provides an effective hedge against economic cycles.
- Generates interest and fee income.
- Characterized by volatility, but Horizon has not experienced a loss in this category in 20 years.
- Targeting \$100 million in mortgage warehousing business.
- Rotating group of 25-30 customers.
- Managed by senior executive with 20+ years of mortgage warehousing experience.
- No losses since inception 11 years ago.



## **Capital and Balance Sheet Strength, Key Financial Drivers**

- Tier 1 capital/risk weighted average assets of 13.96% (at Dec. 31, 2010) significantly exceeds regulatory requirements for "well capitalized."
- A low-cost source of capital comes from approximately \$30.5 million in trust preferred securities, structured for interest only payments, with maturity dates of 2034 and 2037.
- The Company sets strict standards for return on assets and investments, demonstrated by the closure of two under-producing offices in 2010.
- The company has an aggressive program to address other real estate owned (OREO) and remove properties from its balance sheet.
- Noninterest income, generating ROE of 10%+, allows for profitable opportunities in fee income.
- Return on average assets, most recently 0.80%, trending up year-over-year.
- HBNC has applied to the small business loan fund to support TARP repayment.

## **Performance-Oriented Corporate Culture**

- Sales people incented with performance bonuses.
- Strong focus and proven success in customer retention and service/product cross-selling.
- To promote teamwork and an entrepreneurial spirit, branches can receive quarterly bonuses based on success.
- 2011 focus and incentives oriented toward deposit growth goals.

- Innovation in products and services encouraged and supported, but also willing to decisively stop a program that isn't working.
- Regular "Breakfast with the CEO" no-agenda meetings where employees are encouraged to communicate openly and freely.
- Quarterly all-company conference calls with senior management.
- Annual all-company Learning conference attended by all employees.



*Horizon's expanding number of branch and loan office locations has played a key role in building the Bank's name recognition and market visibility.*

## **Management and Board Expertise**

### Highlights:

- Members of senior management, market presidents and commercial lending teams average 30-plus years in the industry.
- Board features five audit committee financial experts as defined by the SEC.
- Board members appointed to committees for several consecutive years to reinforce expertise.
- Board members are encouraged to attend outside seminars annually and take courses related to their committee assignments.
- Horizon has established advisory boards in key markets, with a heavy emphasis on service providers such as attorneys and CPAs.

### Executive Management Team

**Craig M. Dwight**, President and Chief Executive Officer, was named President of Horizon Bank in 1998, became Chairman & Chief Executive Officer of the Bank in 2003 and is also President and CEO of Horizon Bancorp. In 1979, he began his career with Horizon Bank and through 1985 held several positions including branch manager, human resource director and commercial loan officer.

From 1985 to 1990, he served at First of America Bank, based in Kalamazoo, MI, as Vice President and Senior Commercial Lender. During his tenure at First of America he was responsible for improving credit quality, achieved 100% loan growth and led the state of Michigan in Capital Access Loans. In 1990 he returned to Michigan City and Horizon Bank as Vice President and Senior Commercial Lender until being named President. Under his leadership, Horizon has more than tripled assets and deposits and has achieved record earnings for eleven consecutive years. He has managed through several economic cycles. In 2010, Dwight was named one of Northwest Indiana's top CEOs by the Northwest Indiana Business Quarterly Magazine. He has served on the boards of directors of numerous charitable, community and economic development boards of directors. He received his B. A. in Business Administration from Indiana University, Bloomington, Indiana.

**Thomas Edwards** has served as President and Chief Operating Officer of Horizon Bank since 2002 and as Executive Vice President and Chief Credit Officer of Horizon Bank since joining the organization in 1999. His banking career began with the Office of the Comptroller of the Currency (OCC) where, as a Commissioned National Bank Examiner, he was responsible for assessing the safety and soundness of more than thirty national banking institutions throughout Northern Indiana. He spent seven years as Commercial Loan Officer and Senior Lender for First of America Bank and six years as Senior Loan Review Group Manager at Crowe Chizek & Company.

An active participant in local civic and economic organizations, Edwards received his B.A. in Economics from Miami University (Ohio). He attended the University of Oklahoma National School of Bank Investment.

**James Neff**, Corporate Secretary of Horizon Bancorp and Executive Vice President of Horizon Bank, joined the Bank in October 1999. His responsibilities include mortgage warehousing, retail mortgage banking and secondary marketing. Prior to joining Horizon, Neff was Vice President of Mortgage Warehousing for Civitas Bank.

A lifelong resident of Northwest Indiana, he is a graduate of the ABA National Consumer Credit School, University of Oklahoma and the IBA Commercial Lending School, University of Indianapolis. He received his BA from Purdue University North Central and serves on the its advisory board and is a member of the Chancellor's Society. Active in the United Way, Michigan City Rotary Club and several real estate and community development organizations, Neff has proudly served as a Salvation Army Bell Ringing volunteer for 19 years.

**Mark Secor, CPA**, Chief Financial Officer, joined Horizon Bank in 2007. Prior to Horizon, Secor was Executive Vice President, Chief Financial Officer, and Secretary for St. Joseph Capital Corporation. He was a member of the executive management team and an active member of Corporate and subsidiaries committees including Management, Asset Liability Management, Quality, and risk Management. He was also an Audit Engagement Senior Manager for Crowe Chizek and Company LLC for 11 years. Secor earned a Bachelor of Arts degree from Vennard College in University Park, Iowa and a Bachelor of Art degree in Business Management and Accounting from William Penn University, Oskaloosa, Iowa. He is active in local church and charitable activities.

### **Board of Directors**

**Susan Aaron** is the President and Chief Executive Officer of Vision Financial Services, Inc., LaPorte, Indiana, an accounts receivable management business in which she has more than thirty years experience. She has served on Horizon's Board of Directors since 1995 and on the Board of Directors of the Bank since 1993. She holds a degree in finance and an M.B.A. from Indiana University and qualifies as an audit committee financial expert under SEC rules.

**Lawrence E. Burnell** is the Chief Operating Officer and Chief Financial Officer of White Lodging Services Corporation, a national hotel management and development company. He leads all phases of financial management and shared services including accounting, financial reporting, treasury, loan procurement, information technology, risk management, legal, human resources and administration. He received a B.S. in Accounting and is a Certified Public Accountant. He has over thirty years of financial management experience, has served on Horizon's Board of Directors since 2009 and qualifies as an audit committee financial expert under SEC rules. He received his Bachelor of Science Degree from the University of Illinois.

**Robert C. Dabagia** has served as the Chairman of Horizon since 1998. He has over forty years of banking experience, including thirty-three years as an executive officer. He served as Chief Executive Officer of Horizon and the Bank until July 1, 2001. He has served on Horizon's Board of Directors since 1980, and on the boards of several banking organizations. He is a 1960 graduate of Indiana University. His extensive involvement in charitable, business and civic organizations include roles as United Way Campaign Chairman, a member of Memorial Hospital Board and St. Anthony Boards of Trustees, and Vice Chairman of the Michigan City Port Authority Board of Directors.

**Craig M. Dwight** is President and CEO of Horizon Bancorp and President and Chairman of the Board of Horizon Bank.

**James B. Dworkin** is the Chancellor of Purdue University North Central. He has over thirty years of experience in education, a Ph.D. in Industrial Relations from the University of Minnesota, an M.A. in Industrial Relations and B.A. in Economics from the University of Cincinnati. He has served on Horizon Bancorp's Board of Directors since 2003.

**Charlie E. Gillispie** is Vice President of Administration and Finance at Valparaiso University. He is a registered CPA with over thirty years of accounting experience. He holds an undergraduate degree in business administration and an M.B.A. with an emphasis in accounting from Eastern Kentucky University. He has served on Horizon's Board of Directors since 2001 and on the Board of Directors of the Bank since 2000. Gillispie possesses particular knowledge and experience in finance, audit, accounting, administration, investment management and local market knowledge as it relates to small business and not-for-profit organizations. He qualifies as an audit committee financial expert under SEC rules.

**Daniel F. Hopp** is Senior Vice President, Corporate Affairs, and General Counsel of Whirlpool Corporation. He earned a B.A. in English from the University of Michigan and a juris doctor degree from Wayne State University where he graduated summa cum laude. He has over 30 years experience working with a publicly traded corporation and over 25 years of Corporate Secretary service. He has served on Horizon's Board of Directors since 2005 and on the Board of Directors of the Bank since 2004.

**Larry N. Middleton, Jr.** is a real estate broker and the President of Century 21 Middleton Co., Inc. in Michigan City, Indiana. He has a background in marketing and sales. He has served on Horizon's Board of Directors since 1995 and on the Board of Directors of the Bank since 1993, providing valued insights on real estate market conditions, trends and opportunities.

**Peter L. Pairitz** is a business developer and private investor, focusing on small business and consulting with owners regarding all aspects of business ownership and management. He earned a Bachelor of Science Degree in Accounting from Ball State University. He is a CPA with experience in auditing financial institutions with a public accounting firm. He has served on Horizon's Board of Directors since 2001, on the Board of Directors of the Bank since 2000, and is a Director for Horizon Management Services, Inc. Pairitz qualifies as an audit committee financial expert under SEC rules.

**Robert E. Swinehart** is the retired President and Chief Operating Officer of Emerson Power Transmission Corp. His business responsibilities included budgeting, financial reporting and supply chain management, and he has held leadership roles in an industry trade association and in a number of community organizations. He has served on Horizon's Board of Directors since 1998 and on the Board of Directors of the Bank since 1996. He holds a Bachelors Degree in Industrial Engineering from Purdue University and an M.B.A from Butler University. He qualifies as an audit committee financial expert under SEC rules.

**Spero W. Valavanis** is an architect and the President of Design Organization, Inc., an architecture and interior design firm with offices in Chicago, IL and Valparaiso, IN. The Company provides Corporate Workplace Planning nationally to a number of Fortune 500 companies and Higher Education and Healthcare Design in the Midwest. He received his Bachelor of Architecture degree from Ball State University. He is also a U.S. Green Building Council LEED Accredited Professional. He has served on Horizon's Board of Directors since 2000 and on the Board of Directors of the Bank since 1998.

*Statements in this document which express "belief," "intention," "expectation," and similar expressions, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by, and information currently available to, such management. Such statements are inherently uncertain and there can be no assurance that the underlying assumptions will prove to be accurate. Actual results could differ materially from those contemplated by the forward-looking statements. Any forward-looking statements in this release are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.*